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California Energy Commission Dockets Unit
Attn: Docket No. 04 IEP 1K
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

**Testimony of Emily Rusch**
**Consumer Advocate with CALPIRG**

My name is Emily Rusch and I am a Consumer Advocate with CALPIRG, the California Public Interest Research Group. I appreciate the opportunity to comment on the 2005 Integrated Energy Policy Report.

**Re: Chapter Two: Transportation**

Consumers are feeling the pinch of high energy bills at the gas pump, on their electric bills, and this winter on their heating bills. Today's hearing on transportation holds special importance because transportation is responsible for 79% of the growth in oil consumption in the United States between 1985 and 2003. The average American drives one third more miles than he or she did two decades ago. To add insult to injury, the average fuel economy of cars actually declined by 6% between 1987 and 2004. Despite leaps and bounds made in technology, the average vehicle is actually *less* efficient that it was eighteen years ago. The increase in gasoline prices hits California consumers especially hard, since California is the world's second largest consumer of gasoline (behind only the United States as a whole).

We can congratulate ourselves here in California on policies we've adopted to increase energy efficiency and clean energy, but as our status as one of the world's largest users of gasoline indicates, there is much, much more work to be done if we want to protect consumers and our economy from rising costs of fossil fuels. California's leaders have to do everything they can to decrease our dependence on fossil fuels, thereby making energy affordable for all Californians.

I want to highlight CALPIRG's support for several recommendations made by the California Energy Commission in this report, and offer recommendations for a few other policies that will pave the way for more affordable energy for California.

Energy efficiency is the most effective means to save consumers money and reduce our dependence on fossil fuels. The draft report correctly indicates that doubling the fuel economy standards for all vehicles, which is unquestionably doable with today's technology, is the most important step that California's leaders can take to reduce high gas bills. There is no excuse for any California member of Congress to oppose a 40 miles-per-gallon fuel economy standard.

Here in our own state, California should adopt our own fuel economy standards for California's statewide fleet of vehicles. With over 73,000 vehicles consuming 46 million gallons of fuel, the state's procurement could have a big impact. In addition to our state's own fleet, California should also explore policies to influence private corporations to increase the fuel economy of their own fleets.

As the Commission already knows, consumer driving habits and car maintenance can also make a significant impact on fuel efficiency. CALPIRG encourages the Commission to create an effective education campaign to inform drivers about the ways they can increase the fuel efficiency of their vehicles. In particular, because tire efficiency can have such a dramatic impact on vehicle efficiency, there should be a big education push next year – such as signs required in every replacement tire store – that encourage consumers to buy similar tires to the tires sold to them by the manufacturer, since original tires tend to maximize fuel efficiency. CALPIRG also encourages the Commission to move quickly to implement an efficiency standard for replacement tires.

We strongly encourage the state of California to increase alternative methods of transportation other than the automobile, including communities that encourage walking, increasing bike lanes, and providing more mass transportation options around the state. In order to build the needed infrastructure, a long-term dedicated source of funding for a transportation program is appealing, as your report suggests.

CALPIRG recommends that rather than impose another public goods charge paid by gasoline consumers, that California corrects the tax breaks that our state has long given to the oil industry. A 6% severance tax on oil extracted from California lands could raise hundreds of millions of dollars each year. The revenue raised could then be dedicated to programs that will decrease our state's dependence on petroleum – including energy efficiency and conservation incentives, alternative fuel use, and more funding for public transit.

California has 18% of the country's proven oil reserves according to the U.S. Department of Energy. Daily oil production runs approximately 762,000 barrels, according to the California Division of Oil, Gas, and geothermal resources.

As a valuable and finite natural resource that flows deep beneath the earth, the extraction of oil is taxed by most oil-producing states and countries, regardless of whether the physical drilling platforms are on public or private property. Alaska has a 15% tax rate on oil extraction. Texas has a 4.6% tax on oil extraction. Louisiana oil severance taxes are up to 12.5% of value. Alabama has a 10% oil severance tax. In contrast, California does not have a severance tax on oil. California is the only major oil-producing state that does not tax oil extracted from private lands within our state borders.

Oil prices are set on the worldwide market, therefore a tax on production should have no effect on prices. Since January of 2002, the price of crude has more than tripled, leaving oil producers awash in profits. A tax on oil extraction should have no effect on production either, since high demand and high worldwide prices will continue to make the industry one of the most profitable in the world. With the oil companies currently generating record profits (ExxonMobil alone made $25 billion in profits in 2004 and is on pace to surpass that amount in 2005), an oil severance tax is reasonable, logical, and could provide needed funds to reduce our state's dependence on oil and make transportation more affordable for Californians.

CALPIRG encourages the Commission to include an oil severance tax as a policy recommendation in order to raise the funds needed for a more efficient and affordable energy future for California consumers.

## Re: Chapter Four: Demand Side Resources, Distributed Generation, and Other Electricity Supplies

Reducing peak demand of electricity through energy efficiency must also be a priority in order to reduce high energy costs for consumers. CALPIRG agrees with the report's recommendation that the Commission should work with the publicly owned utilities to establish energy efficiency goals that their customers can hold them accountable to. We support efforts to increase combined heat and power, and to increase clean, distributed generation like solar energy. We are under the impression that the goals of the Million Solar Roofs initiative will be included in the final report, and we strongly support their inclusion.

CALPIRG applauds the California Energy Commission's past actions to set new energy efficiency standards for common appliances and to set strong energy codes to decrease energy demand in new buildings. Building codes and appliance standards are two of the easiest and cheapest methods to increase energy efficiency throughout the state and save consumers money. As the Commission looks to set new appliance standards in 2006 and new building codes in 2008, we encourage the Commission to "think big" and continue raise the bar on energy efficiency and integrate clean distributed generation in our codes. CALPIRG looks forward to working with the Commission to establish those standards.